

Reporting from Washington — California needs to solve its financial crisis by itself and should not expect an emergency bailout from the White House, an array of Obama administration officials said Thursday, making clear they had no appetite to step in and provide financial assistance or loan guarantees.

"Look, we're going to examine what we can do. What we need to do, however, is to treat states fairly and that means uniformly," David Axelrod, senior advisor to the president, said in an interview. "Whatever we do for one state, there will be other states who also will want to do that. And there's a limit to what the government can do."

Axelrod indicated that federal intervention on California's behalf would set a dangerous precedent.

"There's no doubt that there are states all over this country who have problems -- not problems the size of California -- but significant problems. And every governor in the country wants and needs assistance," he said.

It is exceedingly rare for the federal government to help a state weather a short-term cash crisis such as the one California faces, administration officials said.

Even if the president were to make an exception for California, the aid would need to come on unattractive terms so as not to send a message that distressed states can expect Washington to engineer a painless rescue.

Although the \$700-billion federal bailout fund potentially could be tapped to help California, Treasury Secretary Timothy Geithner expressed doubt Thursday that he had the authority, without new congressional legislation, to aid California under the program originally set up by Congress to rescue financial institutions.

The legislation creating the Troubled Asset Relief Program, or TARP, specifically restricted use of the money to financial institutions.

It also limited troubled assets to mortgages or mortgage-related securities "issued on or before March 14, 2008."

The Bush administration expanded the use of the bailout fund to provide loans to General Motors and Chrysler.

To get Congress to release the second half of the fund, Obama's top economic advisor, Lawrence Summers, promised in a Jan. 15 letter to Senate Majority Leader Harry Reid that the new administration would limit assistance to financial institutions and automakers. But the letter also said the president could enact new initiatives aimed at "forestalling a significant economic dislocation."

Appearing before a congressional committee, Geithner said: "We do not believe that TARP as currently designed and legislated provides a viable solution to this specific challenge."

Barriers to using TARP money could be overcome, administration officials acknowledge, but doing so would be difficult.

An alternative would be for Congress to pass a bill authorizing federal relief for California, perhaps through loan guarantees.

California Democrats are working to build a case for federal intervention, noting the state's importance to President Obama's efforts to turn the economy around.

"Allowing California to go belly up presents a great risk to our hoped-for continued economic recovery," Rep. Adam Schiff (D-Burbank) told Geithner. "California already demonstrated we had to put a halt to all the construction projects in the state. We don't want to do that again. It would run completely counter to what you're trying to do and we're trying to do with the stimulus."

U.S. Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, said, "Their view is they need legislation, and we're going to try to give it to them."

But a number of Republicans, including some within the California delegation, said that the nation's taxpayers should not be called upon to bail out Sacramento for its own failures.

"My state in California has gotten itself into a big problem," Rep. John Campbell (R-Irvine) said. "Shouldn't the state . . . bear some consequence for that and not have the federal government come in and shield the state from any of the negative consequences of an irresponsible budget?"

Rep. Jerry Lewis of Redlands, an influential Republican who is his party's most senior member of the House Appropriations Committee, said it was "hard for me to quite imagine my colleague from Wisconsin or one of my friends from Kansas" supporting federal intervention in California's budget crisis.

For its part, the White House seems unenthusiastic about a bill propping up California's finances.

Making a federal bailout even less appealing to the Obama administration is a sense that California has not yet tried all possible remedies.

Raising taxes and cutting spending, for example, are steps that can still be taken by California officials to avert a financial meltdown, according to the Obama administration.

White House Press Secretary Robert Gibbs suggested as much Thursday.

"Obviously, the state has to make some very tough fiscal decisions," Gibbs said. "They understand the laws which they operate under and the budgetary constraints that they have. They're going to have to make a lot of difficult choices, and we're going to monitor that situation."

Obama officials made plain they grasp what is at stake.

"Obviously the situation in California is serious," Axelrod said.

"There are crises of different proportions in different states, and California obviously is at the front of the list."